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Why a Partial Sale Often Beats a Full Sale

Most UK founders who explore exit options are not looking for the quickest route out. They want to release personal wealth, bring in a capable partner and continue building something they are proud of. This guide explains why selling a stake in your business, rather than the whole thing, can produce a better outcome on every dimension that matters.

Updated 2026-03-24 · 18 min read · Author: Tony Vaughan, Founder

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Key takeaways

- ·Selling a stake allows you to convert concentrated, illiquid wealth into cash without giving up the business you built.
- ·Two well-timed transactions, a first partial sale and a later full exit, frequently produce higher combined proceeds than a single sale today.
- ·Trade buyers create value through commercial synergy. PE buyers create value through capital, governance and disciplined execution. Choosing the right partner depends on where your business sits and what it needs next.
- ·Valuation is not a fixed number. It is shaped by maintainable EBITDA, growth trajectory, risk profile, buyer competition and the quality of your preparation.
- ·Confidentiality is not optional. The way a process is managed determines whether your commercial relationships survive intact.
- ·A partial sale is not right for every founder. If you want to leave completely, if the business has no growth headroom, or if you are unwilling to share decisions, a different route may be better.
- ·The founders who get the best outcomes start with honest self-assessment, take professional advice early and design a process around their own objectives.
- ·Exit planning is not a sign of weakness. It is the most commercially rational thing a founder with concentrated risk can do.

Why founders look for exit options

There is a particular moment in the life of a founder-led business when the conversation shifts. The business is performing well. Revenue is growing, margins are healthy and the order book looks solid. But something changes in the way the founder thinks about risk.

You start to notice that virtually everything you own is tied up in a single private company. Your house is probably the only other meaningful asset, and even that may have been used to secure early borrowing. If the market turns, if a major customer leaves, if your health changes, the financial consequences are severe and entirely personal.

This is not anxiety. It is a rational response to a concentration of risk that would be considered reckless in any other context. No financial adviser would recommend putting 90% of your net worth into a single, unlisted, illiquid asset. Yet that is precisely where most UK founders sit when they reach their late forties or fifties.

At the same time, these founders are emphatically not ready to retire. They enjoy the work. They are proud of what they have built. The idea of handing over to a stranger and spending the next two decades on a golf course is not just unappealing, it is unthinkable. Their identity is intertwined with the business. Their social network is built around it. The daily stimulus of solving problems, winning customers and leading a team is central to how they see themselves.

This is the tension that drives founders to start searching. They type "sell my business" into a search engine, not because they want to sell, but because they want to understand their options. They want to know whether there is a way to reduce risk, extract some cash and keep going. They want to understand exit planning without committing to an exit.

A partial business sale exists precisely for this situation. It bridges the gap between doing nothing and selling everything. It gives founders a way to convert some of their equity into personal wealth, bring in a partner who adds real capability and continue leading the business with renewed energy and a clearer plan.

The psychology matters because it directly affects outcomes. A founder who approaches a partial sale from a position of strength, motivated by growth rather than escape, negotiates differently, attracts different partners and structures a different kind of deal. The energy in the room is collaborative, not adversarial. The post-completion relationship starts well because both parties are genuinely aligned.

If you are exploring exit options, exit strategy possibilities or simply wondering "how much is my business worth," you are in this category. You are thinking ahead, which is the right instinct. The rest of this guide explains why, for most founders in this position, selling a stake rather than selling everything produces a better result.

What a partial sale actually is

A partial sale is a transaction where a founder sells a portion of their equity, whether a minority or a majority holding, to an external party while keeping a meaningful stake and an active role in the business. The buyer might be a trade acquirer, a private equity fund, a PE-backed platform or a strategic partner. The founder receives cash, continues to lead and shares the next chapter of the company's story with someone who can add capital, expertise or market access.

In a minority sale, the founder typically sells up to 49% of the equity. They remain the majority shareholder, retain full operational control and make the key decisions. The incoming investor gets board representation, information rights and protective provisions, but the business continues to be run by its founder. This structure suits founders who want capital and capability without giving up authority.

In a majority sale with rollover, the founder sells more than 50%, often 60% to 80%, and retains the balance as rollover equity. The incoming party takes majority control and typically introduces more structured governance, including a formal board, non-executive directors and monthly reporting. The founder stays on as the operational leader, but strategic decisions are shared. This is the standard structure for PE investment in UK founder-led businesses.

A staged exit combines both approaches over time. A founder might sell a minority stake initially, grow the business alongside the partner for three to five years, and then sell the remaining equity in a second transaction at a higher valuation. This two-stage approach is increasingly popular because the economics can be compelling.

It is worth emphasising that a partial sale is not a compromise or a half measure. It is a deliberate strategy used by sophisticated founders who recognise that the value in their business has not been fully captured and that the right partner can help them reach a higher peak. Thousands of transactions of this type complete in the UK every year. They are the standard model for private equity-backed growth.

The mechanics involve more negotiation than a straightforward full disposal. Shareholders' agreements, governance frameworks, protective provisions and exit mechanisms all need to be carefully constructed. But that complexity exists to protect the founder, not to burden them. A well-structured partial deal gives the founder defined rights, a clear governance framework and an agreed route to a future exit on favourable terms.

The staged exit logic

The economic argument for a staged exit rests on a straightforward principle: selling twice, at the right moments, can deliver more total value than selling once.

Consider a founder whose business generates £2 million of EBITDA. A full sale today might achieve a multiple of five times, producing an enterprise value of £10 million. After adjusting for debt and working capital, the founder receives a lump sum, leaves and moves on.

Now consider a different path. The same founder sells 60% of the equity at the same five times multiple. They receive £6 million in cash on day one and retain 40% as rollover equity. They continue leading the business alongside a partner who brings capital, commercial capability and access to adjacent markets. Over the next four years, EBITDA grows to £4 million. The second exit achieves a multiple of seven times, producing an enterprise value of £28 million. The founder's 40% rollover is now worth £11.2 million. Total proceeds across both transactions: £17.2 million.

The numbers are illustrative, not guaranteed. But the principle is well supported by evidence from UK private equity transactions. It is common for the founder's return on their rollover equity to exceed the cash they received at the initial sale.

There are conditions for this to work. The business must have genuine growth headroom. The partner must add real capability, not just capital. The founder must have the energy and commitment to deliver a multi-year plan. And the market must remain supportive at the point of second exit. But where these conditions are present, the staged approach is often the more rational economic decision.

There is also a personal dimension. A staged exit allows a founder to take cash off the table without making an irreversible life decision. The financial pressure of having everything in one basket is relieved. The loneliness of running a business without a peer is reduced. The risk of a single catastrophic event wiping out your wealth is mitigated.

The structure also changes the way potential partners approach the conversation. Buyers are more willing to pay a fair price when the founder retains meaningful skin in the game. It signals alignment. It tells the buyer that the founder believes in the future of the business and is not just looking for the exit door. This trust element is subtle but powerful in negotiations.

Imagine a founder who runs a specialist engineering services company with £1.8 million of EBITDA. They sell a 55% stake to a PE fund, retain 45% and use the partnership to invest in automation, hire a commercial director and win two framework agreements that were previously out of reach. Within three years EBITDA doubles. The second exit delivers a return on rollover that exceeds all expectations. The founder's total wealth is materially higher than it would have been had they sold outright, and they spent those three years doing work they genuinely enjoyed.

If your business has genuine headroom, if you still have energy and ambition, and if you are not ready to walk away, a staged exit deserves serious analysis. It is not about deferring the inevitable. It is about maximising the total value of the asset you have spent years building.

Worked numbers

Founders make better decisions when they can see the numbers. The illustration below is not a forecast and not a guarantee. It is a structured worked example designed to show how the moving parts interact across a typical staged exit. The figures are deliberately conservative and the multiples are within the normal UK SME range.

Imagine a UK business with £2 million of maintainable EBITDA, modest net debt of £1 million, working capital at a normalised level and a credible three-year growth plan that takes EBITDA to £3.2 million. The founder is in their early fifties, energised, and willing to lead the business for another four to five years alongside a capable partner.

Path A: full sale today. A trade buyer offers a five times multiple on £2 million of EBITDA, producing an enterprise value of £10 million. After repaying £1 million of net debt and meeting transaction costs of roughly £400,000, the founder receives net proceeds of about £8.6 million. After Capital Gains Tax, with Business Asset Disposal Relief applied to the qualifying portion and standard rates applied above the lifetime limit, the founder retains an estimated £7.1 million of cash. The story ends there.

Path B: 60% partial sale today, 40% rollover, full exit in year four. The same five times multiple at completion produces an enterprise value of £10 million. The founder sells 60%, receiving £5.4 million in cash before tax (ignoring debt apportionment for simplicity in this illustration). They keep 40% as rollover equity. Over the next four years, with the partner's capital and operational support, EBITDA grows to £3.2 million. The business has stronger governance, a deeper management bench and lower customer concentration. At second exit a six and a half times multiple is achieved, producing an enterprise value of £20.8 million. The founder's 40% rollover is worth £8.3 million before tax. Combined gross proceeds across both transactions: approximately £13.7 million.

The difference between the two paths in this example is roughly £3 to £4 million of additional pre-tax value, before considering the four years of salary, dividends and quality-of-life benefits the founder enjoys while continuing to lead the business. The size of that gap is sensitive to the growth achieved, the second-exit multiple and the tax structure, but the direction is consistent across most realistic scenarios where the business has genuine headroom.

What changes the answer materially? Three things. First, growth: if EBITDA is flat over the holding period, the second exit will not generate the uplift on which the staged logic depends. Second, multiple expansion: if the business looks materially better at second exit, with stronger governance, broader customers and a deeper team, buyers will pay a higher multiple than at first exit. Third, structuring: cash at completion versus loan notes, deferred consideration and earn-outs each carry different risk and tax profiles, and the right structure depends on the founder's circumstances.

The illustration also assumes a clean cap table, a credible growth plan and a partner who genuinely adds capability. Where any of those assumptions is weak, the second-exit uplift narrows quickly. This is one of the reasons preparation, partner selection and governance matter as much as headline price. The number on the heads of terms is only the first of several numbers that determine the founder's eventual outcome.

A worked example like this is not a substitute for tailored advice from a sell-side adviser and a tax specialist. But it is a useful sanity check. If the gap between Path A and Path B is small in your case, a clean full sale may be the better answer. If the gap is wide and the conditions support it, a partial sale is doing its job: turning a single transaction into two, and a single multiple into two.

Definitions

If you are exploring a partial sale for the first time, you will encounter language that feels unfamiliar. These definitions cover the terms that come up most frequently. Understanding them will help you read heads of terms, evaluate propositions and have more productive conversations with advisers.

{d.term}

{d.definition}

None of these terms should be intimidating. Each one describes a specific aspect of how partial sales are structured, and understanding them puts you in a stronger position when evaluating an opportunity.

Partial sale	A transaction where a business owner sells a minority or majority stake to an external party while retaining equity and an active role. The founder receives cash for the portion sold and continues to participate in the value of the retained equity.
Rollover equity	The equity a founder keeps after selling a majority position. If you sell 70% of your business, the remaining 30% is your rollover. It participates in the growth of the business and is realised at a future exit, ideally at a higher valuation than the first transaction.
Minority investment	An investment where the incoming party acquires less than 50% of the equity. The founder retains majority control and day-to-day authority. The investor receives board representation, information rights and protective provisions but does not control the management of the business.
Strategic buyer (trade buyer)	An operating company that acquires a stake for commercial reasons: access to customers, markets, capability, supply chains or technical expertise. Their interest is driven by synergy, the additional value created when two businesses combine or collaborate.
Private equity	A form of investment where a fund acquires equity in a private company, typically intending to accelerate growth and exit within three to seven years. PE funds raise capital from institutional investors and deploy it across a portfolio. They provide capital, governance and operational support.
PE-backed platform	A company that has received PE investment and is actively acquiring smaller businesses in the same sector using a buy and build strategy. Platforms acquire complementary businesses to increase scale, reduce cost, broaden capability and achieve a higher-value exit for the combined group.

Synergy	The additional value created when two businesses combine. It takes several forms: revenue synergy (cross-selling, new customers), cost synergy (shared overheads, procurement savings), capability synergy (skills, technology, management depth) and risk reduction synergy (diversification of customers, geography or product).

Trade sale route

A trade sale involves selling a stake to an operating company that has a commercial reason to partner with your business. Unlike a financial investor, a trade buyer is not simply deploying capital. They are acquiring your customers, your capability, your geographic footprint or your products because those assets fill a gap in their own business.

This distinction matters because it shapes the economics, the relationship and the post-deal experience. A trade buyer who genuinely needs what your business offers will pay for it, support it and invest in it. The partnership is rooted in mutual commercial benefit, not just a financial model.

Trade buyers approach partial acquisitions for different reasons. Some want to enter a new market without the cost and risk of building from scratch. Some want to secure a supply chain or bring technical capability in-house. Some want to access your contracted income or your recurring revenue base. Some want to cross-sell their products to your customers, or your products to theirs. The motivation varies, but the underlying logic is always the same: your business makes their business more valuable.

For the founder, a trade partner can deliver advantages that money alone cannot replicate. A trade buyer with a national sales team can open doors that would take your business years to reach independently. A trade buyer with an established procurement function can reduce your input costs. A trade buyer with management depth can provide the commercial director or operations lead you have been trying to recruit for three years.

The principal risk in a trade deal is asymmetry of power. A large trade buyer has more transactional experience, more advisers and, potentially, more leverage. Founders must ensure that governance protections, board rights, veto provisions and exit mechanisms are properly negotiated and documented. Without these safeguards, a minority or retained stakeholder can find their position weakened if priorities change or the relationship deteriorates. This is where professional sell-side advice is essential.

To understand the different types of acquirer active in the UK market, see our guide to who buys minority and majority stakes in UK SMEs.

Revenue synergy, margin synergy, capability synergy, risk reduction synergy

When a trade buyer says they see synergy, they should be able to explain precisely what they mean and quantify it. Vague references to "strategic fit" are not enough. Genuine synergy falls into four categories.

Revenue synergy means the combined businesses can win more work than either could separately. Your customers need their products. Their customers need yours. Together you can tender for larger contracts, offer broader propositions and access new segments. This is the most visible form of synergy and often the most valuable.

Margin synergy means the combined businesses can operate more efficiently. Shared warehousing, joint purchasing, consolidated technology platforms and reduced duplication in finance, HR and administration all improve profitability. For many UK SMEs, the ability to benefit from a larger partner's infrastructure is one of the most tangible gains from a trade deal.

Capability synergy means the partner brings something you lack. This could be technology, regulatory expertise, export infrastructure, a management bench with experience of the next stage of growth, or access to specialist skills that are scarce in your local market.

Risk reduction synergy means the combined entity is less exposed to concentration. If your largest customer represents 30% of revenue, joining a group where that customer represents 5% of combined revenue changes the risk profile entirely. Buyers pay higher valuation multiples for lower-risk businesses, so risk reduction directly improves the economics of a second exit.

Consider a founder who runs a regional facilities management company. Their largest client is a local authority contract worth 35% of revenue. A trade buyer with a diversified national portfolio absorbs that concentration risk, opens access to their framework agreements and provides a shared technology platform that improves margin by two percentage points. That is synergy with a measurable financial impact.

The quality of the sell side process determines whether you find the buyers best positioned to generate meaningful synergy. A well-run process targets acquirers who can articulate, quantify and deliver the synergies that matter most to your business.

Private equity route

The private equity route is fundamentally different from a trade sale. A PE fund does not buy your business because it needs your customers or your products. It buys your business because it believes it can grow it, improve it and sell it at a higher price within a defined timeframe.

There are two principal routes into PE for a UK SME founder.

The first is a direct investment by a PE fund. The fund acquires a majority or significant minority stake, works alongside the founder to execute a value creation plan and aims to exit within three to five years. The founder retains rollover equity and a leadership role. The fund's returns come from the increase in enterprise value achieved during the hold period.

The second is acquisition by a PE-backed platform. In this model, your business is bought by a company that has already received PE investment and is pursuing a buy and build strategy. The platform acquires multiple businesses in your sector to build a larger, more valuable group. The founder may roll over a smaller portion of equity and may have a more limited role in the combined business, depending on how the platform is structured and managed.

The difference between the two routes is significant and founders should understand it clearly before engaging with either.

In a direct PE deal, the founder typically retains meaningful operational autonomy. The PE fund provides strategic input, helps recruit senior management, supports bolt-on acquisitions and introduces formal governance. The founder benefits from a structured board process, access to the fund's wider network and a clear value creation roadmap. The discipline can be intense, with monthly board meetings, KPI tracking and accountability for performance, but many founders find it genuinely helpful.

In a platform deal, the founder's day-to-day experience may be quite different. The platform already has a management team, a reporting structure and strategic priorities. The founder may continue as a divisional lead or regional manager but is unlikely to control the overall direction. For some founders this transition feels comfortable. For others it represents a loss of identity and purpose.

Governance, reporting discipline, management bench building, buy and build

PE investors bring four capabilities that most founder-led SMEs do not have internally: governance, reporting discipline, management bench building and acquisition infrastructure.

Governance means a properly constituted board with independent non-executive directors, defined authority limits and structured decision-making. For a founder who has made every major decision alone for twenty years, this can feel intrusive initially. In practice, most founders find that having experienced non-executives to challenge and support their thinking is one of the most valuable aspects of a PE partnership.

Reporting discipline means monthly management accounts, detailed cash flow forecasting, working capital analysis and board packs that present a clear picture of performance. Most PE funds expect weekly trading updates and monthly board reporting. This transparency creates early visibility of problems, builds confidence with lenders and positions the business well for a premium second exit.

Management bench building means investing in senior hires so the business is not dependent on the founder for every critical function. PE funds know that founder dependency suppresses valuation multiples and creates operational risk. They help recruit experienced commercial directors, finance directors, operations leaders and, eventually, a managing director or CEO who can take over when the founder is ready to step back. Succession planning becomes a structured process rather than something the founder worries about but never acts on.

Buy and build means using the platform to acquire complementary businesses, typically smaller competitors or operators in adjacent niches, to build scale, broaden the customer base and improve the group's market position. Each acquisition can add revenue, reduce customer concentration, bring in new capabilities and improve the overall margin profile. The cumulative effect is a business that is significantly more valuable at the point of second exit.

The PE route suits founders who welcome accountability, want structured support and are motivated by the economics of a second exit. It does not suit founders who value total autonomy or who would resent monthly performance reviews and formal board oversight. For a broader comparison of the differences between financial and commercial partners, see our guide to growth partner vs cash investor.

Valuation reality

The most common question we hear from founders is "how much is my business worth?" It is also, unfortunately, the question most likely to be answered unhelpfully. A single number, quoted without context, can be dangerously misleading.

Business valuation for UK SMEs starts with maintainable EBITDA. This is the adjusted, repeatable profit figure that buyers use as the foundation for pricing. Calculating normalised EBITDA means starting with reported pre-tax profit and adding back owner-specific costs, discretionary spending, one-off items and below-market salaries. The result is a figure that represents what the business would earn under standard management on a sustainable basis.

The EBITDA multiple applied to that figure is determined by the risk and growth characteristics of the business. Factors that increase the multiple include recurring revenue, contracted income, a diversified customer base, management team strength beyond the founder, strong cash conversion, manageable working capital and a defensible market position. Factors that reduce it include high founder dependency, customer concentration, thin margins, cyclicality and limited growth prospects.

For UK SMEs, valuation multiples typically range from four to eight times adjusted EBITDA. But the range is wide, and where your business sits within it depends entirely on how buyers perceive the quality, sustainability and growth potential of your earnings.

In a partial sale, the valuation picture includes an additional dimension: the value of future growth. A buyer acquiring 60% of a growing business is pricing not just today's earnings but the trajectory. If the founder is staying, the growth plan is credible and the management team is being strengthened, the buyer may pay a higher entry multiple because the founder's continued involvement reduces integration risk and increases the likelihood of the plan being delivered.

Conversely, a minority stake in a business with no governance, heavy founder dependency and no clear growth plan will attract a discount. The buyer is taking risk on an asset they cannot control, and they will price that risk into the offer.

For a detailed explanation of how valuation works in partial sales, including normalisation, risk-adjustment and the difference between enterprise value and equity value, see our guide to business valuation for partial sales.

The practical lesson for founders is that valuation is not a fixed number determined by market forces alone. It is influenced by how you prepare the business, how you present the opportunity, who you present it to and how the process is managed. Two businesses with identical EBITDA can achieve very different outcomes depending on the quality of preparation, the strength of the growth narrative and the competitive dynamics of the sale process.

Founders should also look beyond the headline number. The total package, cash at completion, rollover equity, deferred consideration terms, governance protections and the realistic prospects for a higher-value second exit, matters more than the enterprise value quoted in the heads of terms. A slightly lower headline figure with a better partner, stronger governance and genuine growth support will often deliver a superior total return.

Common myths

Founders make consequential decisions based on assumptions about how the market works. Some of those assumptions are accurate. Many are not. These are the myths we encounter most often, and each one, if left unchallenged, can lead to a materially worse outcome.

Myth {i + 1}

"{m.myth}"

{m.reality}

The thread connecting these myths is a misunderstanding of how partial sales work in practice. Accurate information and professional advice are the best defences against decisions that feel right in the moment but prove costly in hindsight.

MYTH	Selling a stake means giving up control of the business.
REALITY	In a minority sale, you retain majority voting rights and operational authority. In a majority sale, you negotiate governance terms that define your role, your authority and the decisions that require your consent. Control is not binary. It is structured through the shareholders' agreement, and a well-advised founder maintains significant influence even after selling a majority position.

MYTH	You have to sell everything to get a fair price.
REALITY	There is no systematic evidence that full sales achieve higher multiples. In many partial sales, the retained founder reduces the buyer's risk, which supports a higher multiple. When the second exit is factored in, the total proceeds from a staged approach frequently exceed what a single full sale would have delivered.

MYTH	Private equity firms always cut jobs and strip costs.
REALITY	PE funds that invest in UK SMEs typically create value by growing the business, not by reducing it. They invest in management, technology, sales infrastructure and acquisition. Cost efficiency may be part of the plan, but it is rarely the dominant strategy. PE funds need the business to be bigger and better at exit, not smaller.

MYTH	Partial sales are only for large businesses.
REALITY	Businesses with EBITDA of £500,000 and above regularly attract partial sale interest in the UK. Regional PE funds, PE-backed platforms and trade buyers in adjacent sectors are actively seeking businesses in this range. The entry point is lower than most founders assume.

MYTH	The process takes too long and is too disruptive.
REALITY	A well-managed partial sale takes four to nine months from engagement to completion. The timeline is comparable to a full sale. The additional complexity of governance and shareholders' agreement negotiation is typically offset by simpler integration requirements.

MYTH	Nobody will buy a minority stake because they cannot control the business.
REALITY	Trade buyers, family offices, growth capital funds and high-net-worth individuals regularly acquire minority positions. The key is structuring governance protections and a clear exit pathway that gives the minority investor confidence and security.

MYTH	The second exit is always worth more than the first.
REALITY	The second exit is not guaranteed to deliver a higher value. It depends on the growth achieved, the quality of the partner, market conditions and the business's competitive position at the time. However, when the conditions are right, the economics are strongly favourable. The structure creates the conditions for a higher-value outcome, but it does not guarantee one.

MYTH	I should approach a buyer directly to save on advisory fees.
REALITY	Going directly to a buyer eliminates competitive tension, removes your leverage and puts you at an information disadvantage. The advisory fee is a small fraction of the value difference between a well-run process with multiple interested parties and a bilateral negotiation with a single buyer who knows they are the only option.

MYTH	My accountant can manage the sale.
REALITY	Your accountant is an important member of the team, but selling a business is a specialist discipline. It requires deal origination, buyer qualification, competitive process management, negotiation expertise and governance structuring that sit outside the scope of most accounting firms. Specialist sell-side advice and general accountancy advice are different skills.

MYTH	I need to have the business in perfect shape before I start exploring.
REALITY	No business is perfect. Buyers understand this. What matters is that you are honest about the strengths and weaknesses, that the financial records are accurate and that you can articulate a credible growth plan. Waiting for perfection is a form of procrastination that costs founders real money through missed timing and delayed exits.

Confidentiality and process

Confidentiality is the foundation of any well-managed business sale. If your employees, customers, suppliers or competitors discover you are exploring a transaction before you are ready to tell them, the consequences can be immediate and damaging. Key staff start updating their CVs. Customers hedge their commitments. Competitors exploit the uncertainty. The value of your business can fall before a deal is even agreed.

A confidential business sale requires a structured process designed to control information at every stage. An experienced sell-side adviser prepares a blind profile, a document that describes your business without naming it, and uses this to approach potential buyers. Only those who sign non-disclosure agreements receive detailed information. Meetings take place away from your premises. Financial data is shared through a secure data room with controlled access and audit trails.

Leverage is the other critical element. A well-designed process creates competitive tension among multiple interested parties. This competition protects the founder in two ways: it drives pricing higher because buyers know they are not the only option, and it gives the founder the ability to walk away from any conversation that is not meeting their objectives. Without competitive tension, you are in a bilateral negotiation where the buyer holds most of the cards.

The process typically moves through defined phases: preparation, including the confidential information memorandum and data room; outreach and qualification of potential buyers; management presentations with shortlisted parties; receipt and comparison of indicative offers; negotiation of heads of terms; due diligence; and legal completion.

Each stage has its own risks. Information leaks can occur through careless conversations with buyers who know your sector. Due diligence can drag on if financial records are poorly organised. Negotiations can stall if the founder's expectations and the buyer's valuation are too far apart.

For a step-by-step explanation of how a well-managed sell-side process works, from preparation through to completion, read our guide to the sell side process.

Preparation timeline

The single most reliable way to improve the outcome of a partial sale is to prepare properly before you go to market. The founders who achieve the best results almost always begin work twelve months ahead of any formal process, sometimes longer. Preparation is not a paperwork exercise. It is the difference between a process that runs smoothly at a strong price and one that stalls in due diligence at a discount.

Months twelve to nine before launch. This is the strategic phase. The founder, working with a sell-side adviser, defines what they want from the transaction: how much cash, how much rollover, what role they want to keep, what timetable they prefer and what kind of partner they would work with comfortably. This is also the moment to take initial tax advice, review the company's share structure and identify any pre-deal restructuring that may be needed. Issues like minority shareholders, EMI options, intercompany loans, related-party arrangements and personal assets used by the business should be flagged early because they can take months to resolve.

Months nine to six. Financial preparation moves to the centre. Maintainable EBITDA is calculated and supported with workings. Add-backs are documented and evidenced. Monthly management accounts are tightened so they reconcile cleanly to statutory accounts. Working capital trends are analysed. A three-year forecast is built bottom-up, grounded in the order book, contracted income and a realistic view of new business. The objective is a robust quality of earnings that a buyer's diligence team can interrogate without finding surprises.

Months six to three. Commercial and operational preparation. The customer base is analysed by revenue, margin, recurrence and concentration. Contracts are reviewed for change-of-control clauses and assignability. Key supplier arrangements are documented. Employment matters are tidied: contracts, handbooks, holiday accruals and any open issues. The data room is built in parallel, structured by topic, with documents indexed and version-controlled. The information memorandum is drafted, refined and signed off.

Months three to zero. Final readiness. The buyer long list is built, qualified and prioritised. The blind profile is approved. The founder rehearses the management presentation. Contingency arrangements are made for confidentiality, including who will be told and when. By the time outreach begins, every question a serious buyer is likely to ask in the first thirty days has an answer ready in the data room.

Preparation does two things at once. It increases the price the market will pay because the business looks more credible, more organised and lower risk. And it shortens the process because diligence runs faster when records are clean. The combined effect on outcome is usually larger than any single negotiation point during the deal itself.

Shareholders' agreement

In a partial sale, the shareholders' agreement is at least as important as the headline price. It defines how decisions are made, how disputes are resolved, how the founder is protected and how the eventual second exit is reached. Founders who focus only on the enterprise value and treat the shareholders' agreement as a legal afterthought regularly discover, two or three years in, that the terms they signed do not give them the position they assumed they had.

Reserved matters. These are the decisions that cannot be taken without the founder's consent, even when the buyer holds majority equity. Typical reserved matters include changes to the constitution, issue of new shares, dilutive financings, sale of the business, material capital expenditure, hiring and firing of senior executives, taking on material new debt and changes to dividend policy. The list should be specific and the consent thresholds should be unambiguous.

Board composition and information rights. The agreement should set out the size of the board, who appoints whom, how often the board meets and what information directors receive. Even minority shareholders should secure clear information rights: monthly management accounts, annual budget, strategic plan and notice of material developments. Without information you cannot exercise the rights you negotiated.

Tag-along, drag-along and pre-emption. Tag-along rights ensure that if the majority sells, the minority can sell on the same terms. Drag-along rights allow the majority to require the minority to sell if a qualifying offer is received. Pre-emption rights give existing shareholders the first opportunity to acquire shares before they are offered to a third party. These provisions, properly drafted, prevent the founder being trapped in or forced out of the business on poor terms.

Anti-dilution and ratchets. If the partner injects further capital later, the founder's stake can be diluted in ways that materially reduce their economic position. Anti-dilution provisions limit the conditions under which dilution can occur and at what valuation. Ratchets, where used, can adjust the founder's equity up or down based on agreed performance hurdles. These mechanisms must be modelled carefully because the implications often only become visible at the second exit.

Founder employment, restrictive covenants and good leaver / bad leaver provisions. The agreement should set out the founder's role, remuneration, notice period and termination rights. Restrictive covenants protect the business if the founder leaves but should not be unreasonable in scope or duration. Good leaver and bad leaver provisions determine what happens to the founder's shares if they leave, and the difference between the two valuations can be very large. Founders should resist being treated as a bad leaver for any departure short of fraud, gross misconduct or material breach.

Exit mechanism. The agreement should describe how and when the second exit will be pursued, what process will be followed, how advisers will be appointed and how disputes about timing or price will be resolved. A clear exit mechanism is one of the most valuable protections a minority founder can secure. Without it, the founder's rollover equity may sit indefinitely with no realistic path to liquidity.

The shareholders' agreement is negotiated alongside the share purchase agreement, but it is the document the founder will live with for the next three to five years. It deserves at least as much attention as the price, and it rewards founders who arrive with clear positions on each of these areas rather than reacting to a draft prepared by the buyer.

When it is the wrong choice

A partial sale is a powerful strategy, but it is not the right answer for every founder or every business. Being honest about the circumstances where it does not work is essential to avoiding a poor outcome.

If you genuinely want to leave the business completely, a partial sale will frustrate you. It requires continued involvement, energy and commitment. Founders who are burned out, disengaged or resentful of the daily demands of running a company should sell outright and move on. There is no shame in recognising that you are done.

If the business has no realistic growth headroom, a partial sale will struggle to attract the right kind of buyer. The economics of a staged exit depend on the business being worth materially more in three to five years. If the market is mature, the competitive position is weakening or the product is becoming commoditised, a full sale today may deliver a better outcome than waiting for growth that never arrives.

If you are fundamentally unwilling to share decision-making, a partial sale will create tension from day one. Every partial deal involves a partner who has a legitimate interest in the direction of the business. If you cannot tolerate board discussions, quarterly reviews or constructive challenge from someone who has invested alongside you, the partnership will fail.

If the business faces structural decline that no partner can reverse, selling a stake simply delays the inevitable. A declining business needs either radical transformation, which most partial sale partners will not fund, or an orderly exit while there is still value to realise.

The founders who get the best outcomes from partial sales are those who start with honest self-assessment. They know what they want, they know what the business can realistically achieve, and they know what kind of partner they can work with productively. If the answers to those questions do not support a partial approach, a different route is not a failure. It is good judgement.

Decision framework

Choosing between a full sale, a partial sale, a trade route and a PE route is not a technical decision. It is a personal one that depends on your objectives, your temperament and the realistic prospects for your business. The following framework can help clarify which direction makes sense.

If you want to leave the business entirely within the next twelve months, a full sale is the right approach. A partial sale requires ongoing commitment and energy that you will not have if your heart is not in it.

If you want to sell part of my business, reduce personal risk and keep leading the company for another three to five years, a partial sale is the natural fit. Within that, the choice between a trade route and a PE route depends on what the business needs most.

Choose a trade partner if the business would benefit most from commercial synergy: shared customers, combined products, geographic reach or supply chain integration. A strategic buyer can release revenue and margin improvements that a financial partner cannot replicate.

Choose a PE partner if the business would benefit most from governance, reporting discipline, management recruitment and access to acquisition capital. A private equity buyer brings structure, challenge and a clear value creation roadmap that works best for businesses with strong organic growth potential or acquisition opportunities.

If the business has limited growth headroom but you want to stay involved, a minority sale to a strategic partner may be the best option. It provides capital and support without the intensity of a PE relationship.

If you are unsure, the right first step is a confidential conversation with a sell-side adviser who can help you assess the realistic options. There is no obligation, no cost at the exploratory stage and no pressure. The point is to gather information so you can make a decision based on facts rather than assumptions.

You can also compare exit options side by side using our practical decision framework. It covers the key differences between a full sale, a partial sale, an MBO and other routes in plain English.

Next step

If you have read this far, you are already thinking more clearly about your options than most founders do before they start a process. The next step is simple: have a conversation.

We work exclusively on the sell side, advising UK founders who are considering selling a business in the UK, whether a minority stake, a majority holding or a staged exit over time. Every conversation is confidential. There is no obligation, no pitch and no pressure. We will listen, ask the right questions and give you an honest assessment of your options.

If a partial sale is the right path, we will explain exactly how it works, what it involves and what you can realistically expect. If it is not the right path, we will tell you that too.

The founders who get the strongest results are those who start early, take advice and make decisions based on facts rather than assumptions.

Frequently asked questions

What exactly is a partial business sale?

A partial business sale is a transaction in which a founder sells a minority or majority stake in their company to an external buyer, whether a trade acquirer, private equity fund or strategic partner, while retaining equity and continuing in a leadership role. It allows the founder to convert some of their personal wealth into cash, bring in a capable partner and participate in the future growth of the business rather than walking away entirely.

Can I sell part of my business and still run it day to day?

Yes. Most partial sales are structured so the founder stays on as managing director or chief executive. In a minority sale you keep majority voting rights and full operational control. In a majority sale with rollover your ongoing role, authority and remuneration are set out in a shareholders' agreement negotiated before completion. The incoming partner relies on you to lead the business through the next growth phase.

How much is my business worth if I sell only a stake?

The value depends on maintainable EBITDA, the quality of earnings, growth prospects, customer concentration, recurring revenue, management depth and the type of buyer. UK SME valuations typically fall between four and eight times adjusted EBITDA, though strategic buyers and PE funds may pay more where synergy or a credible growth plan supports a premium. The stake size also influences pricing because of control dynamics and minority protections.

What is rollover equity and why does it matter?

Rollover equity is the portion of your shareholding you retain after selling a majority stake. If you sell 65% of your company, your remaining 35% is rollover equity. It matters because that retained stake participates in the future growth of the business and is typically realised at a second exit, often at a significantly higher valuation. In many PE-backed transactions, the founder's return on rollover equity exceeds the cash received at the first sale.

How long does a partial sale take from start to finish?

A typical partial sale takes between four and nine months from initial engagement with an adviser to legal completion. The timeline depends on the complexity of the deal, the number of buyer conversations, the depth of due diligence and the negotiation of governance terms. Well-prepared businesses with organised financial records and a clear data room tend to complete more quickly.

What tax do I pay when I sell part of my business?

Cash proceeds from a partial sale are generally subject to Capital Gains Tax. Business Asset Disposal Relief may apply, reducing the effective rate on qualifying gains up to the lifetime limit. The structure of the transaction, including any deferred consideration or earnout payments, affects the timing and amount of tax payable. Specialist tax advice should be taken early in the process.

What is the difference between selling to a trade buyer and selling to private equity?

A trade buyer is an operating company that acquires your stake for commercial reasons such as customer access, geographic expansion or capability. A private equity buyer is a financial investor that provides capital, governance and operational support to accelerate growth, typically with a planned exit within three to five years. Trade buyers offer synergy. PE buyers offer structured support and a defined exit pathway. The right choice depends on what your business needs.

How do I find buyers for a stake in my business without everyone finding out?

A sell-side adviser identifies and approaches potential buyers on your behalf using a confidential process. This begins with a blind profile that describes the opportunity without naming the business. Buyers sign non-disclosure agreements before receiving detailed information. Meetings happen off-site. Information is shared through a controlled data room. At no point are staff, customers or suppliers informed until the founder is ready.

What is maintainable EBITDA and how is it calculated?

Maintainable EBITDA is the level of earnings before interest, tax, depreciation and amortisation that a buyer considers sustainable and repeatable. It is calculated by adjusting reported profits for one-off items, owner-specific costs, below-market salaries, non-recurring revenue and discretionary spending. This normalised figure is the baseline for almost all UK SME valuations.

Can I keep full control if I sell a minority stake?

In most cases, yes. Selling up to 49% allows you to retain majority voting rights and full operational control. The minority investor typically receives board observer or non-executive director rights, information rights and certain protective provisions, but the day-to-day running of the business remains your responsibility and your decision.

What happens during due diligence and how should I prepare?

Due diligence is the buyer's formal investigation of your business. It covers financial performance, commercial contracts, customer relationships, legal compliance, tax history, employment matters, IT systems and operational processes. Preparation means organising records, resolving any known issues and populating a data room before the process begins. A well-prepared business completes due diligence faster and with fewer surprises that might reduce the agreed price.

Is a partial sale suitable for a family business?

A partial sale can work well for a family business, particularly where the next generation is not ready to take over, succession is uncertain or the business needs investment and capability that the family cannot provide alone. The incoming partner brings fresh perspective and resources while family involvement is preserved. Careful attention to culture, values and governance is essential to a successful outcome.

What are heads of terms and are they legally binding?

Heads of terms, sometimes called a letter of intent, set out the key commercial terms of the deal before detailed legal documentation begins. They cover price, stake size, founder role, governance, conditions and timeline. Heads of terms are normally non-binding except for exclusivity and confidentiality provisions. They form the framework for the legal agreements that follow.

How do EBITDA multiples work for UK SMEs?

A valuation multiple is applied to maintainable EBITDA to produce an enterprise value. For UK SMEs, multiples typically range from four to eight times EBITDA. The exact multiple depends on the size of the business, sector dynamics, growth trajectory, profitability, quality of earnings and risk profile. Businesses with recurring revenue, low customer concentration, strong management teams and defensible market positions attract higher multiples.

What protections should I negotiate if I am keeping a minority stake?

Essential protections include anti-dilution rights, tag-along rights, pre-emption rights on share transfers, board representation or observer rights, information and reporting rights, and drag-along provisions. These are documented in the shareholders' agreement and are critical to protecting your economic and governance position as a minority shareholder.

When is a partial sale the wrong choice?

A partial sale is not the right choice if you want to leave completely, if the business has no realistic growth headroom, if you are unwilling to share decision-making, or if the business faces structural decline that no partner can reverse. It also does not suit founders who would resent accountability or reporting to a board. Honest self-assessment at the start of the process is essential.

Will my employees find out I am selling?

Not if the process is managed correctly. A professional sell-side process is designed to be confidential at every stage. Employees are not told until the founder decides the time is right, usually at or very close to completion. Premature disclosure is one of the biggest risks in any sale and is something an experienced adviser actively manages.

Can a partial sale help me with succession planning?

Yes. One of the most common reasons founders choose a partial sale is to create a structured succession path. The incoming partner helps recruit or develop senior management, reduces founder dependency and builds a business that can operate independently. This makes the eventual full transition smoother, whether it happens in three years or seven.

Arrange a confidential discussion

If you would like to explore whether a partial sale, staged exit or majority-stay-in structure could work for your business, we welcome a confidential conversation. Every enquiry is handled in strict confidence by Tony Vaughan, founder of Mergers.co.uk.

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